

Press Release

**Acute Retail Infra Private Limited (ARIPL)**

December 12, 2019

**Ratings**

Sl. No.	Instrument/Facility	Amount (Rs Crore)	Rating Assigned
1	Long Term-Fund based (Term Loan)	76.05	IVR A+ / Stable Outlook ; (IVR Single A Plus with Stable Outlook ) #
<b>Total</b>		<b>76.05</b>	

# Rating fully backed by the Master Lease Agreement (MLA) with Future Retail Ltd.

**Details of facilities are in Annexure 1**

**Rating Rationale**

The rating derives strength from the escrow of lease rental, Master lease agreement with the client and Good financial profile of the client. The rating, however is constrained by Customer concentration risk and Moderate capital Structure & Volatile operating Income

**Key Rating Sensitivities:**

**Upward Rating Factor**

- Maintaining profitability
- Timely servicing of debt

**Downward Rating Factor**

- Decline in profits due to increase in expenses

**Detailed Description of Key Rating Drivers**

**Key Rating Strengths**

***Escrow of lease rentals***

There is a Tripartite Agreement between Acute Retail Infra Private Limited (ARIPL), its clients Future Retail Limited (FRL) and the IDBI Trusteeship Services Limited for escrowing the lease rental income coming from its client. The entire cash generated from the lease rentals collected from FRL would be deposited in the Escrow Account. Excess cash after servicing the interest and repayment due for the next period will be transferred to Borrower's account. It also has a personal guarantee from Mr. Kishore Biyani & Mr. Rakesh Biyani who are promoters of Future Group.

## ***Master Lease Agreement with the clients***

There exist a Master Lease Agreement (MLA) between ARIPL and its clients FRL. The agreement clause states that the client's payment obligations are absolute and unconditional irrespective of the operation / non-operation of the equipment and that they shall continue to pay the rent in accordance with the lease rental schedule throughout the agreed term irrespective of whether the retail outlet is operating or not.

## ***Good financial profiles of the clients***

To add, the client is a renowned name in the retail sector and it is a part of the Future group. The financial profile of the client company is good with comfortable debt servicing parameters.

## **Key Rating Weaknesses**

### ***Customer Concentration Risk***

The customer concentration risk is high for the ARIPL as it currently caters only to Future Retail Limited. It shows a very high dependence of company earnings on from only one entity

### ***Moderate Capital Structure and Volatile Operating Income***

Although the escrow mechanism and Master lease agreement protects the company from any stress related to the debt repayment obligations but the capital structure looked stressed with the TOL/TNW ratio stood at a high value of 9.18x for FY19 post-merger as compared to 6.30x in FY18. The operating income is fluctuating owing to the volatility in income from the other trading business of the company.

## **Analytical Approach & Applicable Criteria:**

- Standalone
- Rating Methodology for Structure Debt Transaction (Non- securitisation transaction)
- Financial Ratios & Interpretation (Non-Financial Sector)

## **Liquidity**

The company has an adequate liquidity position. The surplus generated from the operating lease business of moveable fixed assets is sufficient to meet the debt obligations. ARIPL's

facility payment is monthly and linked to the receipt of lease rentals from its client Future Retail Limited through escrow mechanism

**About the company**

Acute Retail Infra Pvt. Ltd. (ARIPL) was incorporated in March 2005 under the companies act, 1956. ARIPL has been formed to focus on Retail business and engaged or intend to engage in the business of acquiring and dealing in the residuary interest in all types and kinds of properties, equipment's and assets, renting out or letting on hire of all kinds of equipment, properties, assets, appliances, apparatus, gadgets and related peripherals

**Financials (Standalone)**

**(Rs. Crore)**

<b>For the year ended / As on</b>	<b>31-Mar-18 (A)</b>	<b>31-Mar-19 (A)</b>
Total Operating Income	45.09	83.91
EBITDA	-0.50	38.98
PAT	-12.06	2.04
Total Debt	160.88	118.21
Tangible Net worth	47.89	50.40
EBIDTA Margin (%)	-1.10	46.45
PAT Margin (%)	-26.28	2.43
Overall Gearing ratio (x)	3.36	2.35

\* Classification as per Infomerics' standards

**Details of Non-Cooperation with any other CRA: N.A**

**Any other information: N.A**

**Rating History for last three years:**

<b>Name of Instrument/ Facilities</b>	<b>Current Rating (Year 2019-20)</b>			<b>Rating History for the past 3 years</b>		
	<b>Type</b>	<b>Amount Outstanding (Rs. crore)</b>	<b>Rating</b>	<b>Rating assigned in 18-19</b>	<b>Rating assigned in 17-18</b>	<b>Rating assigned in 16-17</b>
Fund Based Facilities	Long term Loan	76.05	IVR A+/Stable Outlook	--	--	--
	<b>Total</b>	<b>76.05</b>				

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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## **About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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**Annexure 1: Details of Facilities**

<b>Sr. no</b>	<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (Rs. crores)</b>	<b>Rating Assigned/ Outlook</b>
1	Long Term Loan	--	--	March-21	26.51	IVR A+/ Stable Outlook
2	Long Term Loan	--	--	March-23	49.54	IVR A+/ Stable Outlook
<b>Total</b>					<b>76.05</b>	